



NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

MEDIA ADVISORY
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State Treasurer Angelides Opposes New Bond Proposals Until State Gets Fiscal House in Order

Bills authorizing \$61.7 billion in bonds pending in Legislature

SACRAMENTO, CA – State Treasurer Phil Angelides today sent a letter to Gov. Gray Davis and legislative leaders, saying he is opposed to the enactment of any new general obligation or state lease revenue bond measures, beyond those already scheduled to be placed on the ballot, until a balanced budget is in place for the 2003-04 fiscal year and there is a viable plan to fix the structural imbalances in the budget.

Angelides – long one of the state's most active proponents of prudent investment in California's future – sent his letter in response to inquiries about the State's ability to authorize additional general obligation bonds given the state's fiscal challenges. Currently, there are 16 bills – proposing at least \$61.7 billion in general obligation bonds – that have been introduced during the 2003-2004 legislative session.

Please find attached a copy of the letter.



PHILIP ANGELIDES

Treasurer
State of California

May 20, 2003

The Honorable Gray Davis, Governor
The Honorable John Burton, Senate President pro Tempore
The Honorable Herb Wesson, Speaker of the Assembly

Re: State of California Bonding Capacity

As State Treasurer, I have been asked whether the State of California can afford to authorize additional general obligation bonds, and in what amounts, in the coming years. Currently, there are 16 bills – proposing at least \$61.7 billion in general obligation bonds – that have been introduced during the 2003-2004 legislative session.

In light of our State's current fiscal crisis, I am writing this letter to express my opposition to the enactment of any new general obligation or state lease revenue bond measures, beyond those already scheduled to be placed on the ballot, until a balanced budget for fiscal year 2003-04 is in place and there is a viable plan to fix the structural imbalances in the budget. This position is the only common sense response to the questions posed to this Office, given the gravity of the situation now before us.

As one of the most active proponents of prudent investment in California's future, in particular the infrastructure needed to ensure this State's economic competitiveness, I have supported bond measures – such as those for schools, housing, and parks – approved by the voters over the last four years. I continue to believe that these measures, as well as those currently scheduled for placement on the ballot for voter approval in 2004, represent smart and sound investments that will contribute to California's future economic prosperity.

However, it should come as no surprise that there are practical limits to the amount of additional long-term state bonds that prudently can be authorized before California puts its fiscal house in order. We are at those limits. Indeed, without real budgetary solutions in the near future, credit ratings may suffer further erosion and market access may fall short of the State's needs. In that vein, we must recognize that no projected economic recovery alone can be expected to solve our budget challenges. Nor can one-time measures eliminate the need to effect lasting solutions.

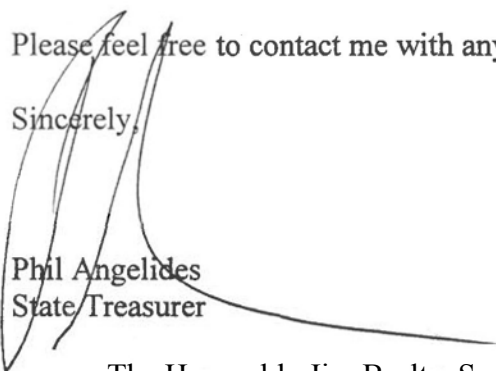
With a balanced budget in place, I remain confident that we can support already authorized but unissued general obligation bonds and those bonds already scheduled for voter approval in 2004. Without such a budget, we put the issuance of those bonds at risk. With a viable plan for long-term structural balance, we once again can consider additional bond authorizations to meet our pressing capital investment needs.

There is no need for us to reach a point of crisis. It should be noted that while a failure to resolve our budgetary challenges will constrain our ability to authorize additional general obligation bonds, the underlying foundation for the State's bonds – the fifth largest economy in the world with a gross state product of \$1.4 trillion – remains strong. California and its economy clearly are capable of supporting additional, prudent levels of investment in the years ahead – but only if State government balances its books.

When a balanced budget is adopted and when there is a credible structural reform plan, this Office will be able to offer an informed opinion regarding the additional amount of general obligation bonds that can be authorized. Once that amount is determined, we should place the highest priority on investments that will contribute most to the growth, vibrancy, and competitiveness of our State's economy. I am hopeful that there will be a timely resolution to the State's budgetary challenges so that we once again can focus our policy discussions on the best way to invest in our future.

Please feel free to contact me with any questions or comments.

Sincerely,



Phil Angelides
State Treasurer

cc: The Honorable Jim Brulte, Senate Minority Leader
The Honorable Dave Cox, Assembly Republican Floor Leader
The Honorable Dede Alpert, Chair, Senate Appropriations Committee
The Honorable Darrell Steinberg, Chair, Assembly Appropriations Committee
The Honorable Wesley Chesbro, Chair, Senate Budget and Fiscal Review Committee
The Honorable Jenny Oropeza, Chair, Assembly Budget Committee
The Honorable Debra Bowen, Member of the Senate
The Honorable Joseph Dunn, Member of the Senate
The Honorable Martha Escutia, Member of the Senate
The Honorable Dean Florez, Member of the Senate
The Honorable Mike Machado, Member of the Senate
The Honorable Deborah Ortiz, Member of the Senate
The Honorable Don Perata, Member of the Senate
The Honorable Nell Soto, Member of the Senate
The Honorable Tom Torlakson, Member of the Senate
The Honorable Joe Cansiamilla, Member of the Assembly
The Honorable Ellen M. Corbett, Member of the Assembly
The Honorable Christine Kehoe, Member of the Assembly
The Honorable Carol Liu, Member of the Assembly
The Honorable Fran Pavley, Member of the Assembly